THE REAL ESTATE ANALYSTS

The Real Estate ANALYST

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1944

Roy Wenzlick
Editor

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends....Constantly measuring and reporting the basic economic factors responsible for changes in trends and values.....Current Studies..... Surveys....Forecasts

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

VOLUME XIII

LABOR COSTS WILL BE HIGHER AFTER THE WAR

THE average wage per hour for construction workers increased steadily during the First World War period and in the period which followed, rising faster after the war was over than before the Armistice. The charts on pages 138 and 139 in this report show the increases which occurred in this First World War period in the average wage paid per hour in contrast with the trend during the period since 1933.

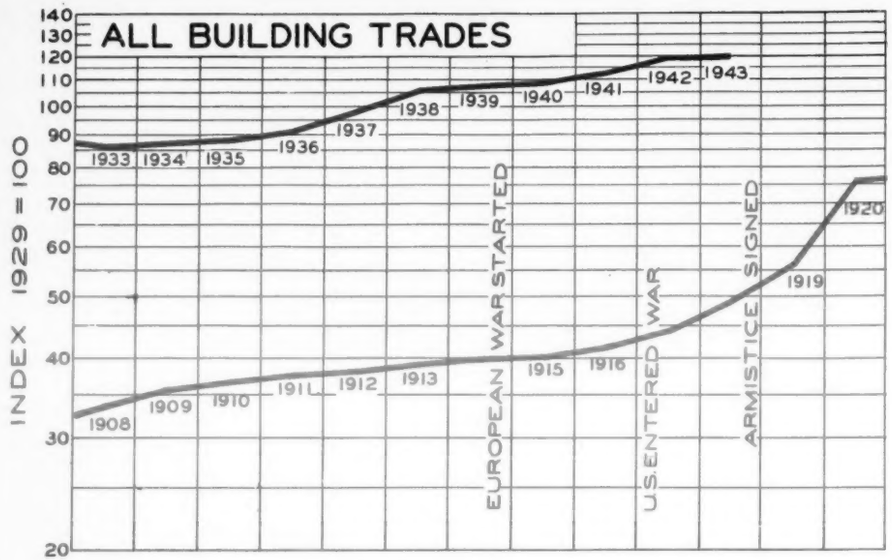
The first interesting point in these charts is the fact that at the very bottom of the depression in 1933 wages in the building trades were 2-3/4 times as high as they were in 1908. This same relationship existed between the period when the First World War started and the Second World War started. If the post-war experience on wages is similar to the experience after the First World War, wages will rise to levels considerably higher than any ever experienced in the past.

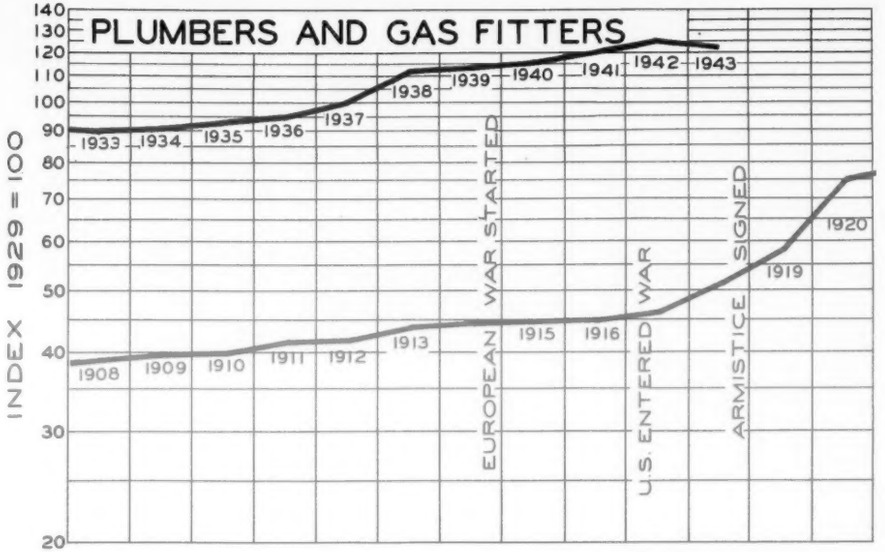
This is probably what will happen. Organized labor is now making a very definite effort to have wage rates increased by a sufficient percentage so that "take home" wages for the shorter work week which is now developing will continue to be as great as the "take home" wages for the week which included overtime during the period of intense war production. It will achieve at least a part of this objective, and we think that the post-war period will not bring a drop in wage and salary payments. Politically, it is far easier to maintain wages at their war levels and allow prices to rise than it is to force wages back, accompanied by falling prices. Probably the final result from the standpoint of the purchasing power of the wages paid is approximately the same.

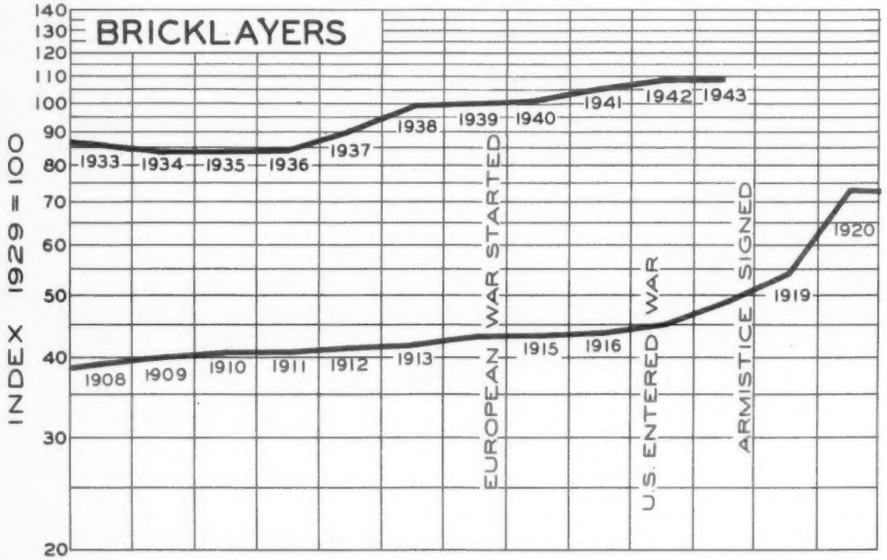
If this assumption is true, that wages of building trades will continue to increase (as will all other wages),it seems reasonable to expect that the cost of constructing a building in the post-war period will be higher than it has been in the past and even higher than it is today. We have had no faith in the feature articles which have pictured the "Home of Tomorrow" as a "Miracle House" which could be bought for a song. In September 1939, the month the war started in Europe, both in our bulletins and in a booklet we published called "Should We Build Our Home Now?" we said that building costs would advance rapidly and if building were contemplated, a contract should be let as soon as possible.

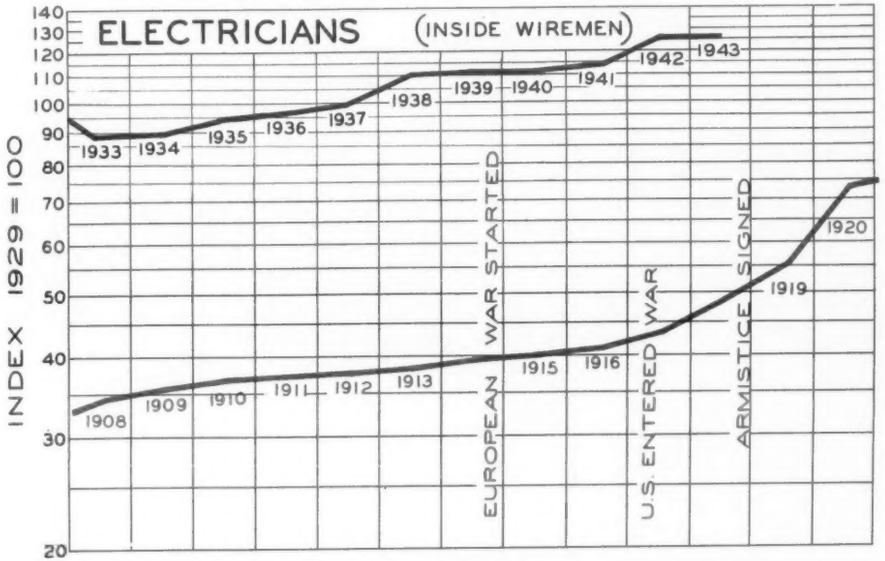
The idea that new techniques and new materials might offset these increased wage rates is often advanced and we think with some justification, provided a period of ten or fifteen years is contemplated. These new techniques and materials will not come into the building picture in sufficient quantity soon enough to affect building costs in the early post-war period.

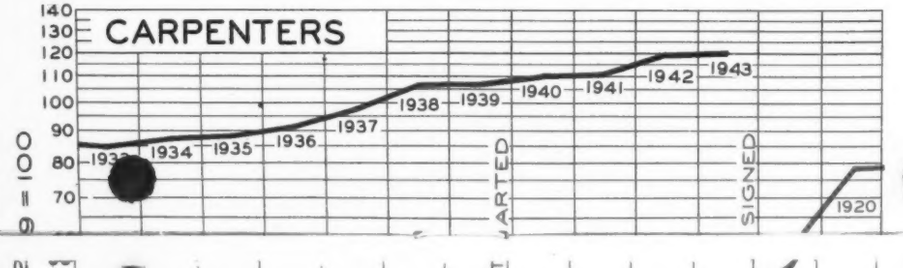
WAGE RATES OF THE BUILDING TRADES

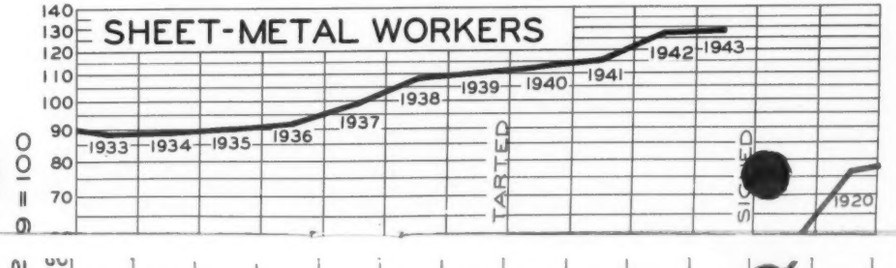


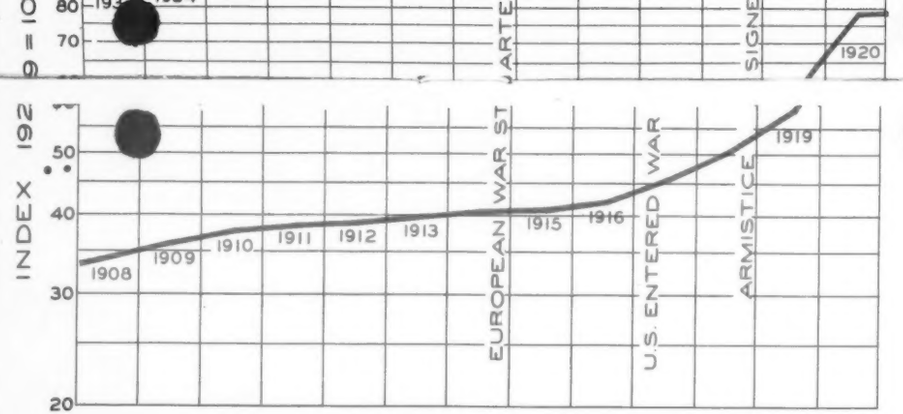








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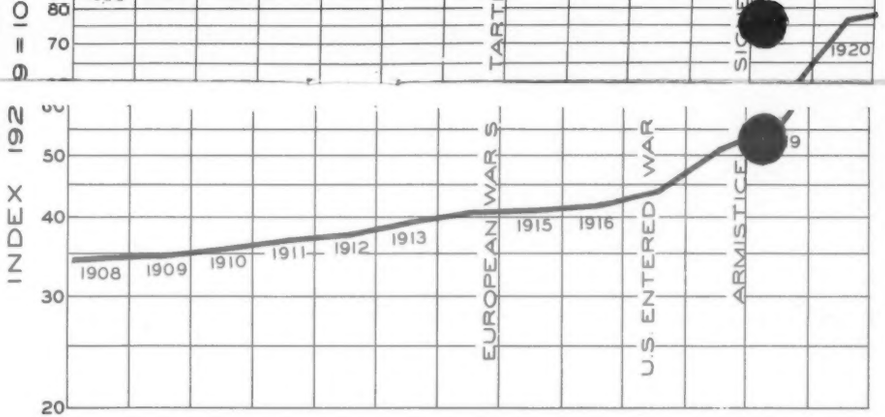
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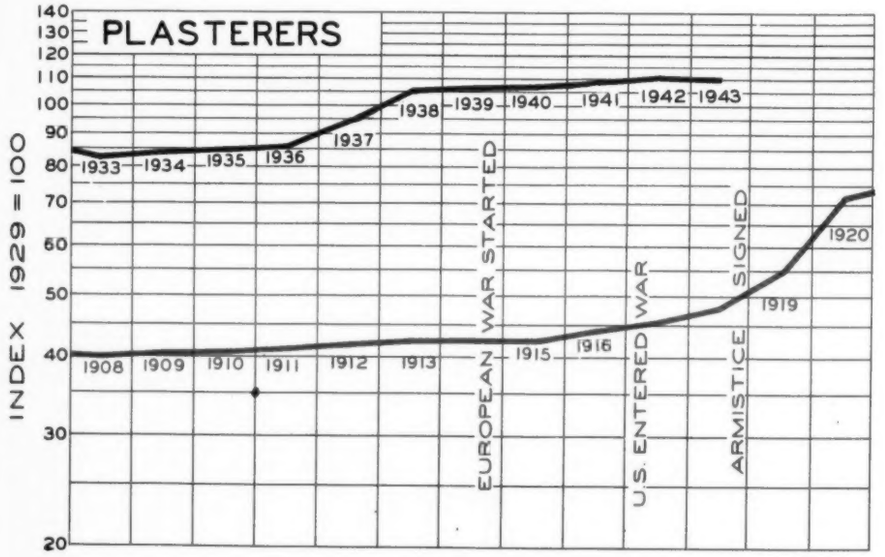
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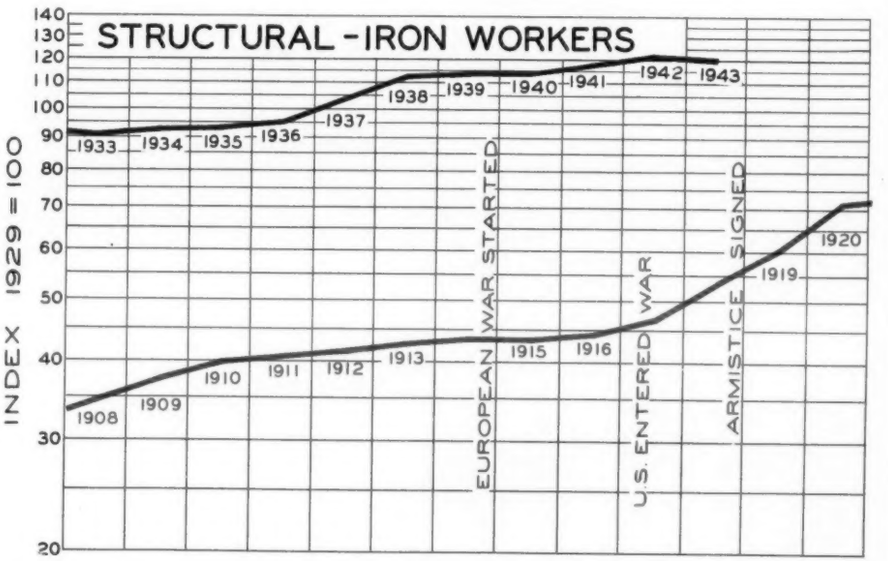
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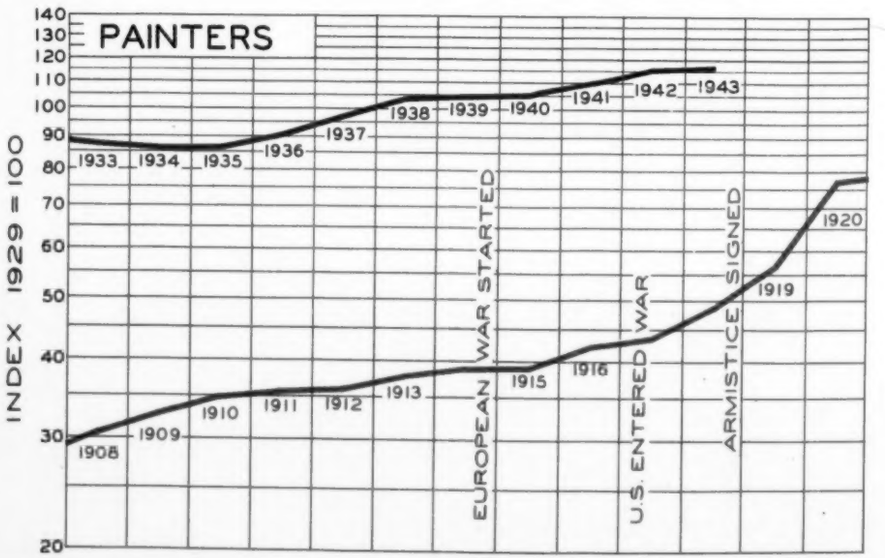
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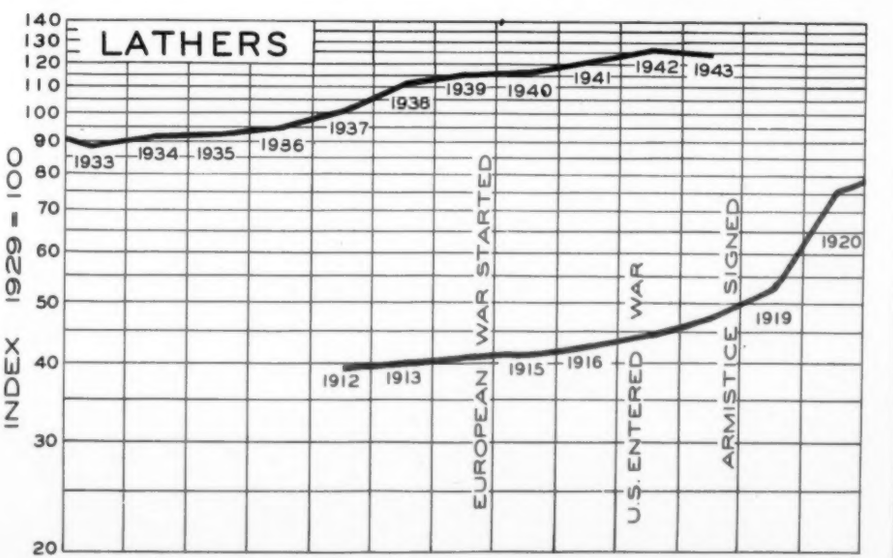
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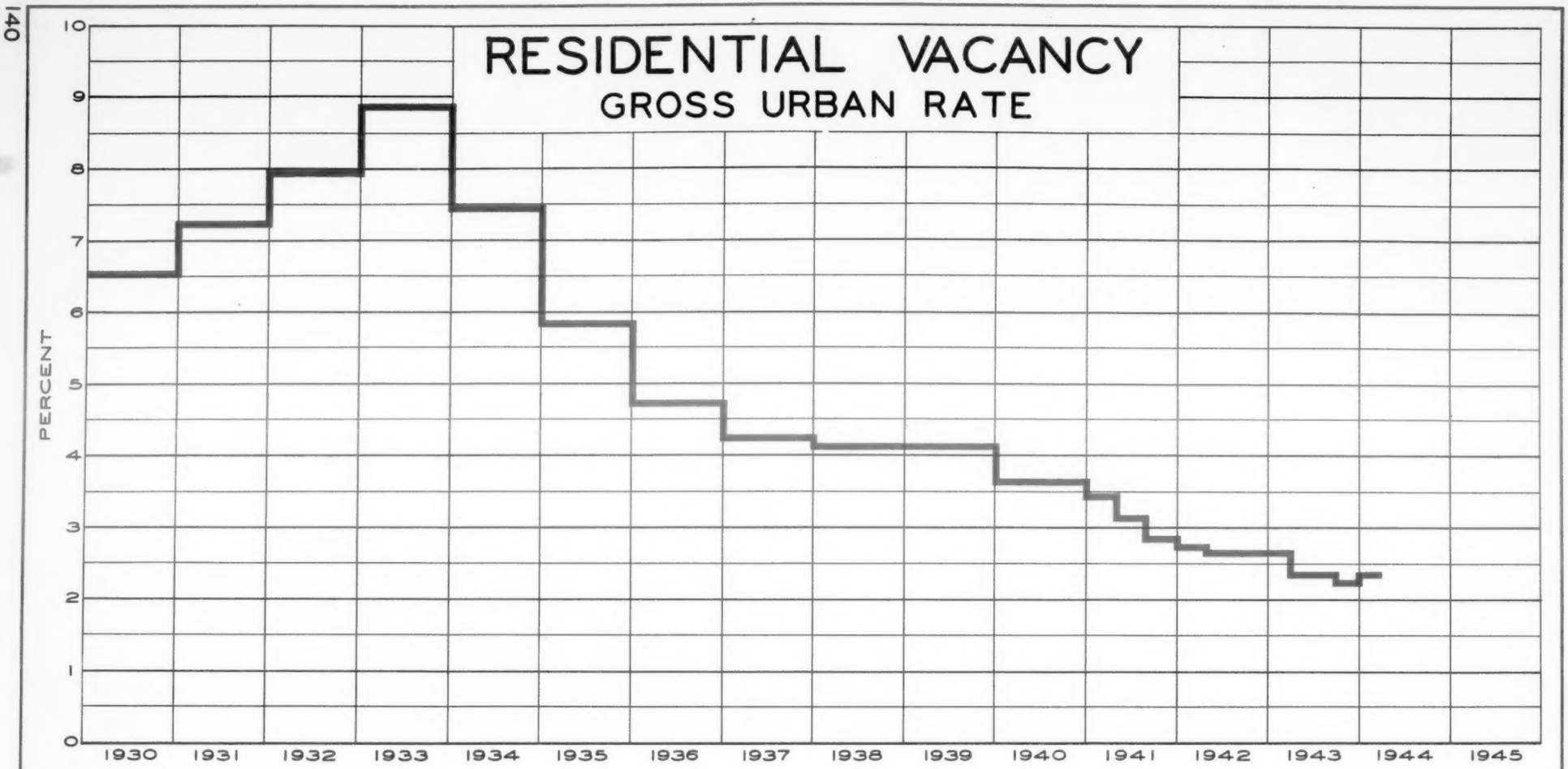

THE chart above is an attempt to show gross urban vacancy in residential units from 1930 to the present. The computations on which this line is based were derived from a number of different sources. In April 1940 the Federal Census made a very careful study of all residential dwelling units, the first complete housing survey we have ever had in the United States. Vacant units for sale or rent at that time averaged 4.2%, the figure charted above for 1940. This has since dropped to 2.4%.

Of course many vacant units are in poor repair and some are without the minimum qualifications of decent housing. In the gross figures charted above, however, no attempt has been made to restrict the vacancy percentage to desirable housing. In most war production cities, vacancy is not over 1% at the present time but it will undoubtedly rise as war production is curtailed. It will not be possible to convert to civilian use rapidly enough to prevent this shrinkage.

WAR BOOM STILL CONTINUING IN MOST CITIES

WHILE general business in the United States may have passed the peak a short time ago, the war boom is holding up very well for the entire country and this is true in most individual cities. The charts on pages 142-149 in this report show business indexes for all principal cities of the United States, month by month, from 1919 through April 1944. These indexes are based on the volume of check transactions for each city.

All figures have been adjusted for seasonal fluctuations and are expressed as percentages above or below a long-term computed normal. The percentages above normal are shown by the blue areas on the chart; the percentages below normal by the red areas.

The large chart in the upper left-hand corner of the spread shows the average of all cities charted with the exception of those in which peculiar conditions have clearly destroyed the effectiveness of check transactions as an index of business conditions.

During the thirties the figures for many State capitals were badly inflated by government payments of various types which cleared through the local clearing houses. All State capitals on our charts are indicated by a red dot following the name of the city. We think that Albany, New York, forms a very good example of this type of city. From 1933 on, government payments clearing through Albany have distorted the curve to the point where it is of comparatively little value.

One factor that must be taken into consideration in the use of check transaction figures as a business index over a long period is that the dollar total of check transactions each month is affected by the changes in general prices, necessitating a larger or smaller dollar volume of check transactions to do the same volume of business. This will be noticed particularly on some of the charts in the years 1919 to 1920 when general prices were rising rapidly. It is also apparent in the price increases since 1940. In order to make mental adjustments easier in studying the charts for individual cities we have charted in the upper right-hand corner of this spread both wholesale commodity prices and the cost of living since 1919.

The charts themselves are more or less self-explanatory and should be given considerable study. The tremendous war boom in some cities shows up quite strongly in contrast with conditions in cities which have secured relatively little war business. Possibly one of the most interesting comparisons would be that of New York City and Oakland, California. In Oakland at the present time check transactions in relationship to population are running 365% above the computed long-term normal. In New York City, on the other hand, check transactions are running approximately 1% below the long-term computed normal. It will be noticed that the boom in Oakland started during the last half of 1940. Only within the first quarter of 1944, however, did check transactions get above normal in New York.

It is entirely probable that the peak has been passed in almost all cities and that by the end of 1944 activity will be further from the peak than it is at present.

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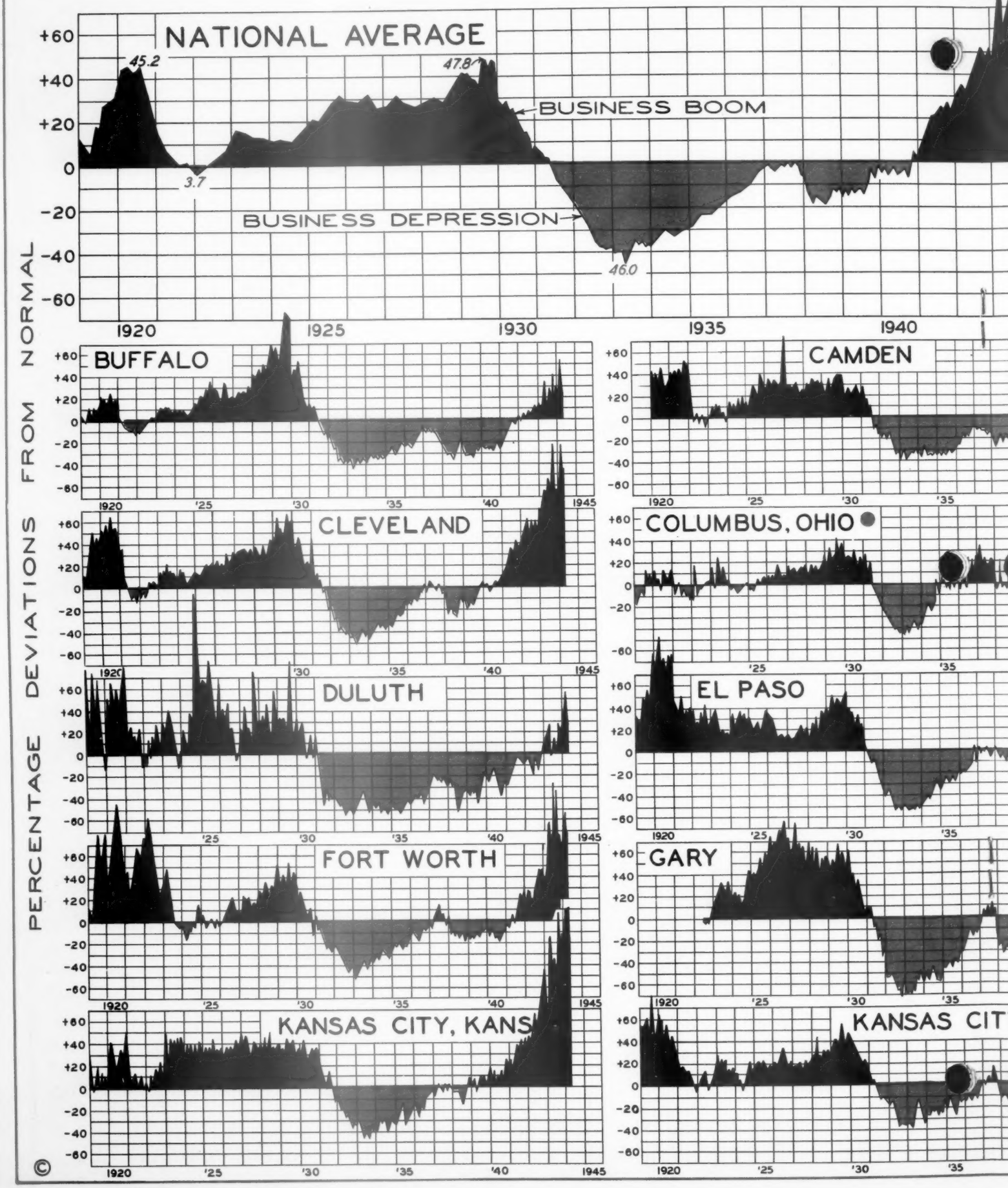

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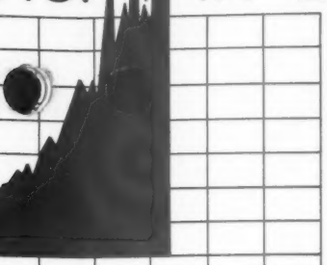

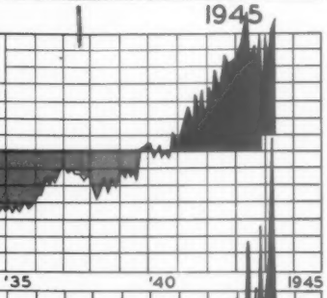

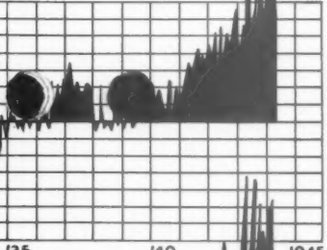

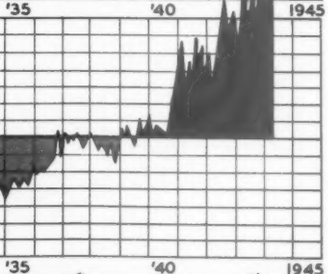

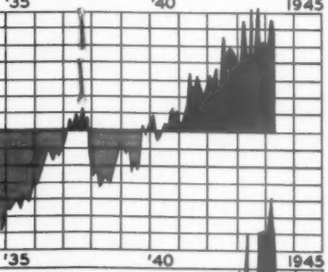

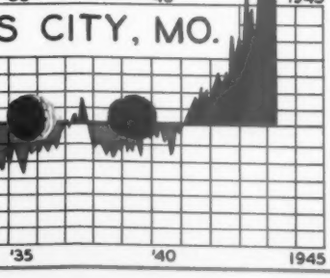

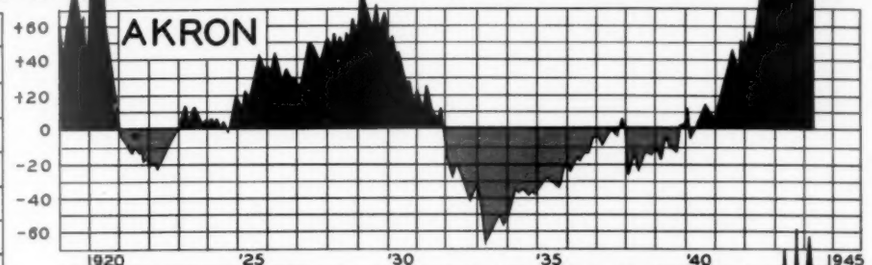

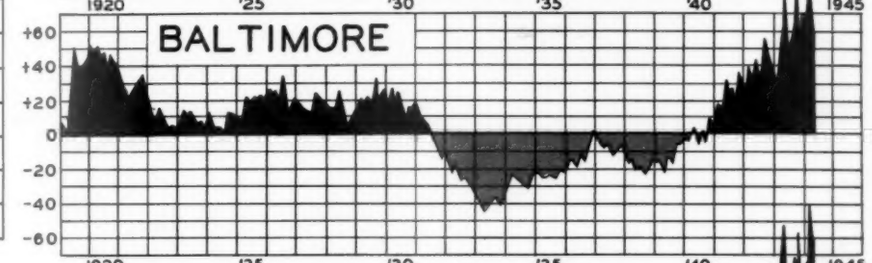

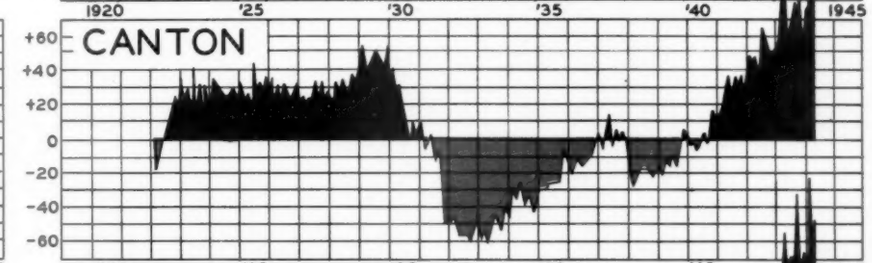

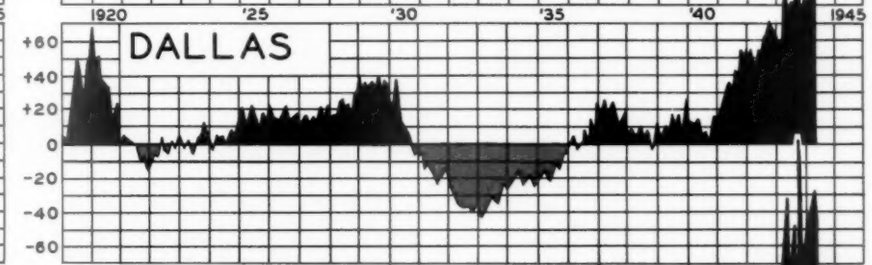

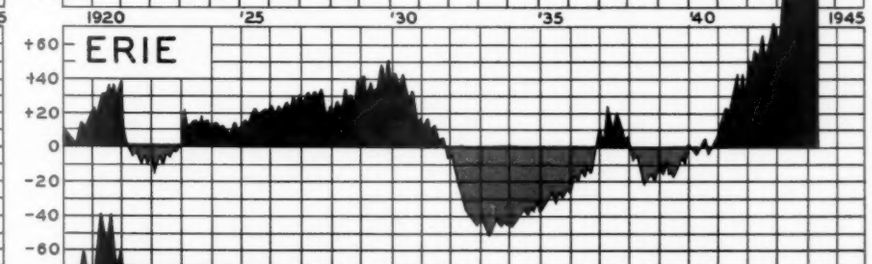

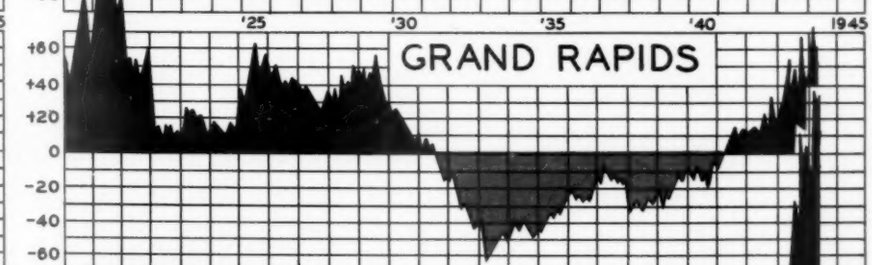

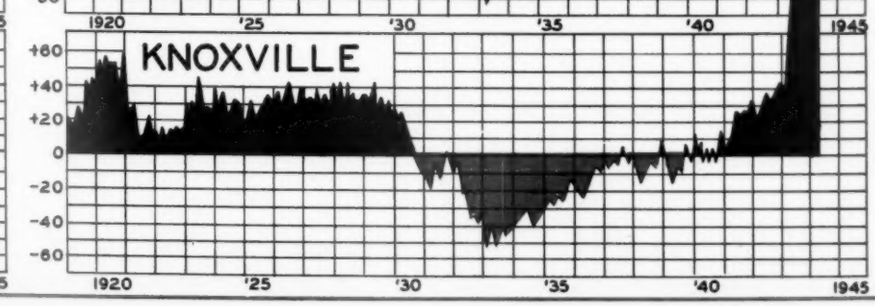

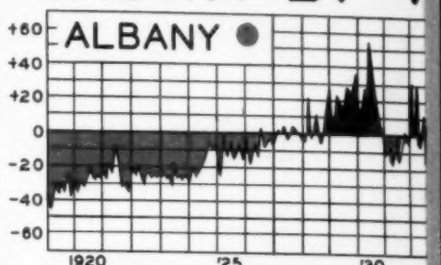

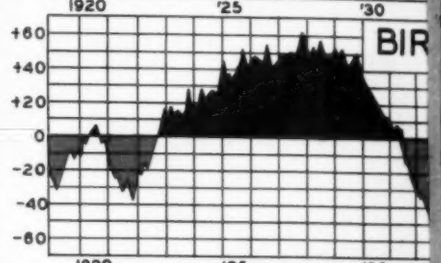

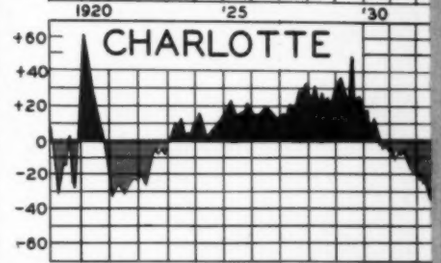

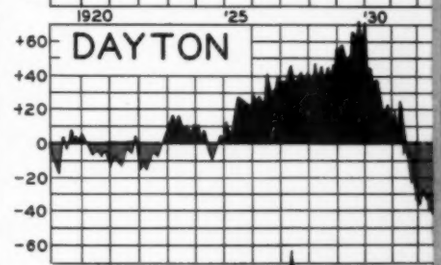

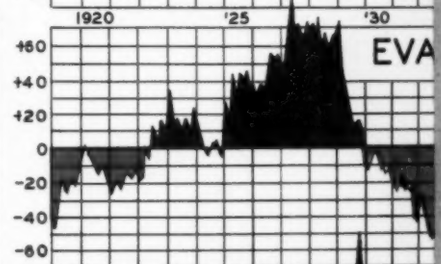

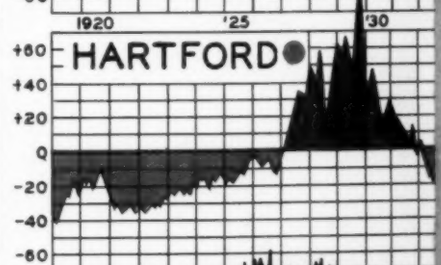

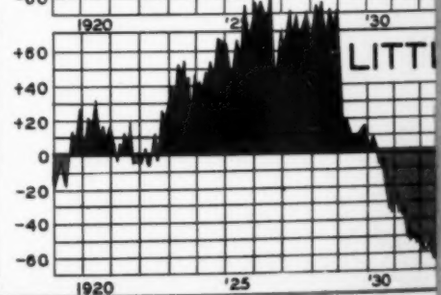

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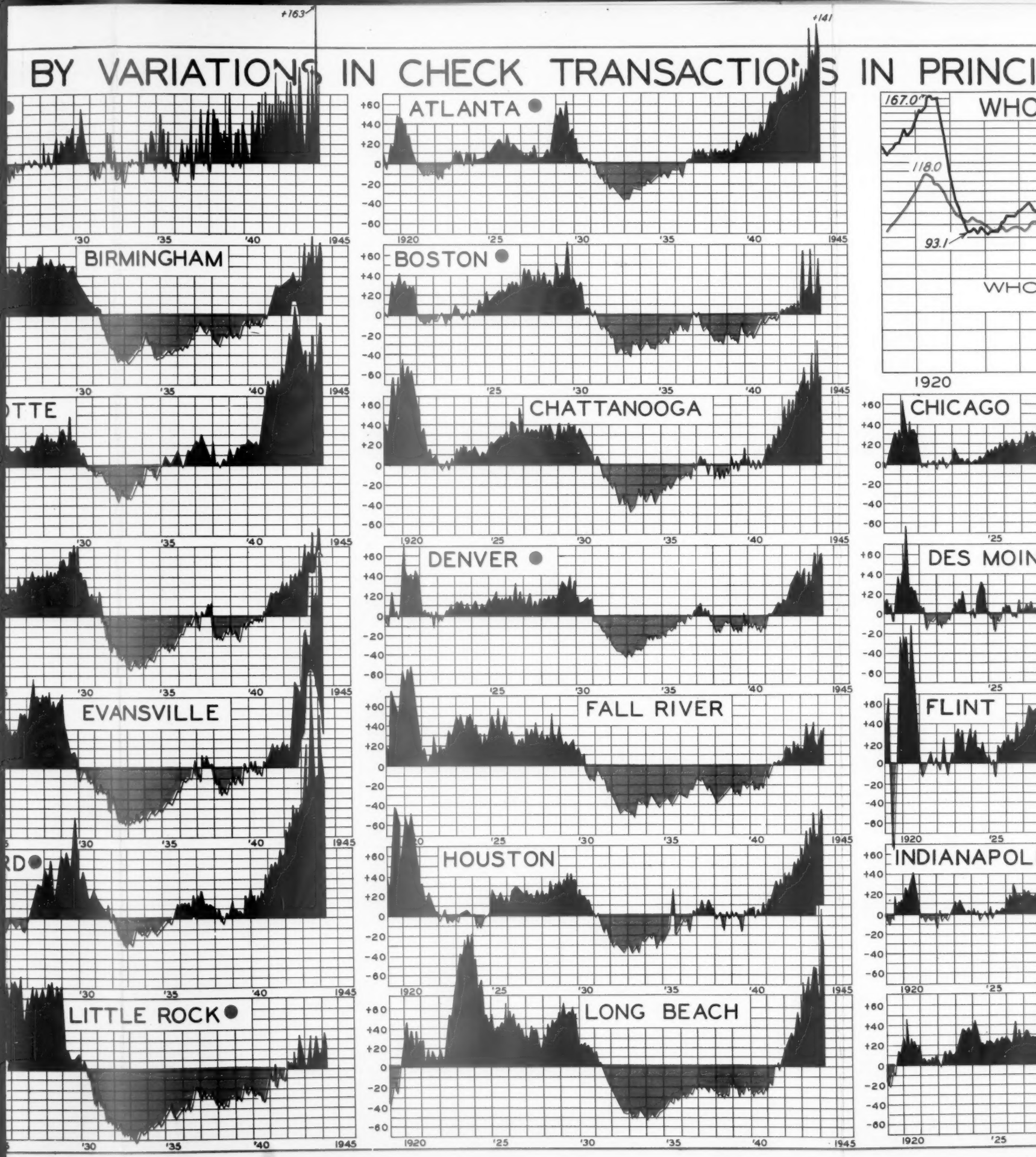

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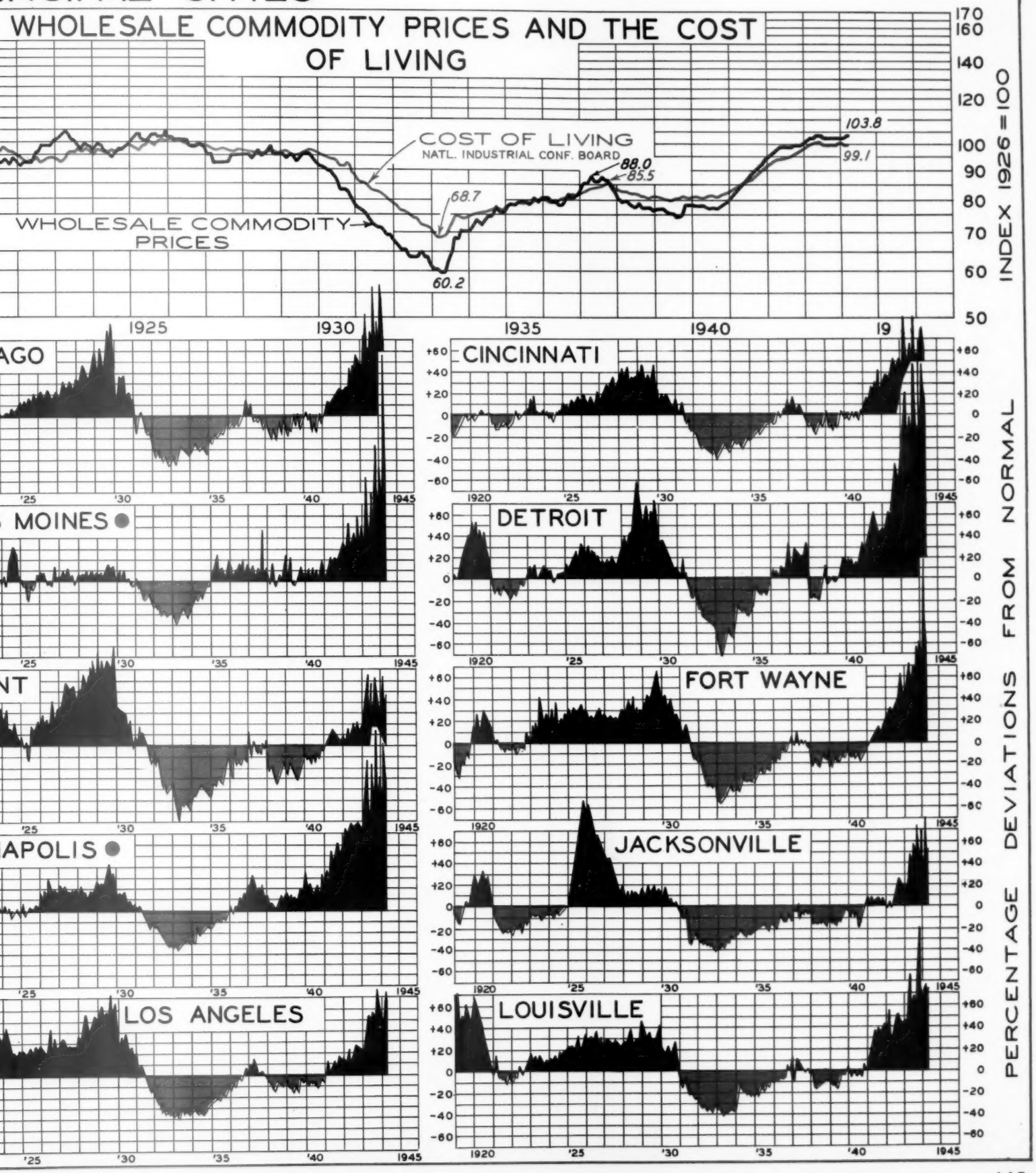

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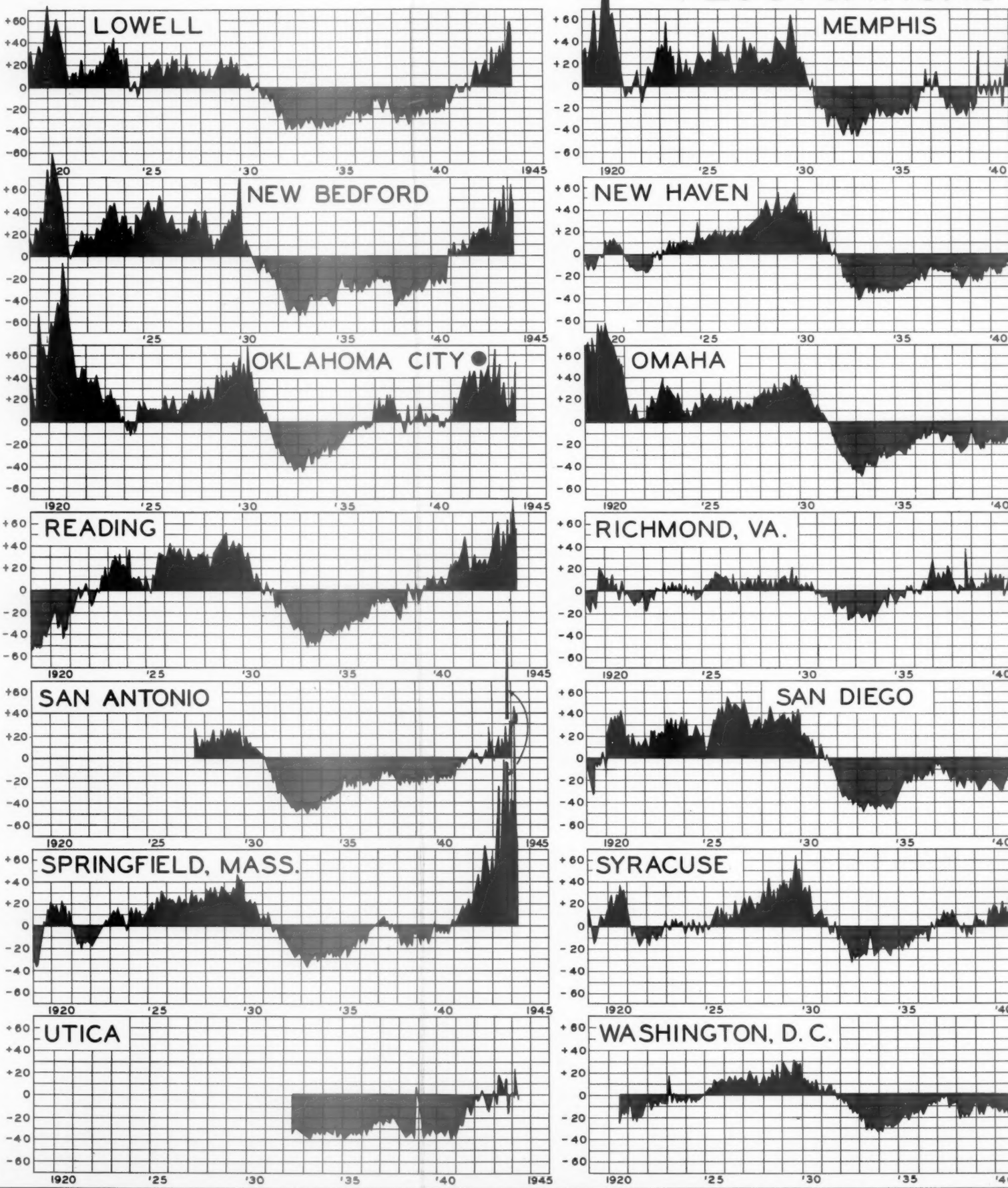

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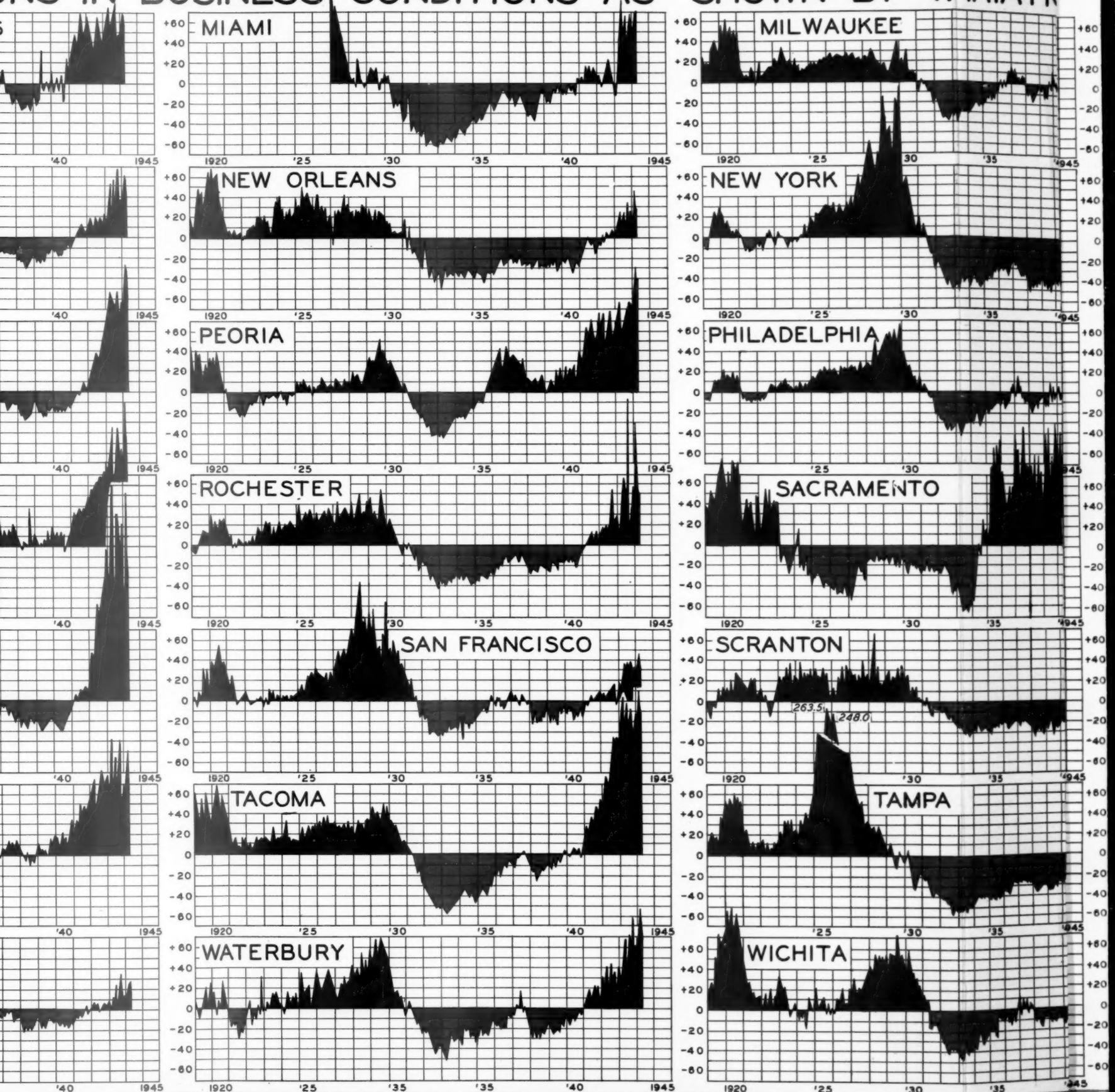

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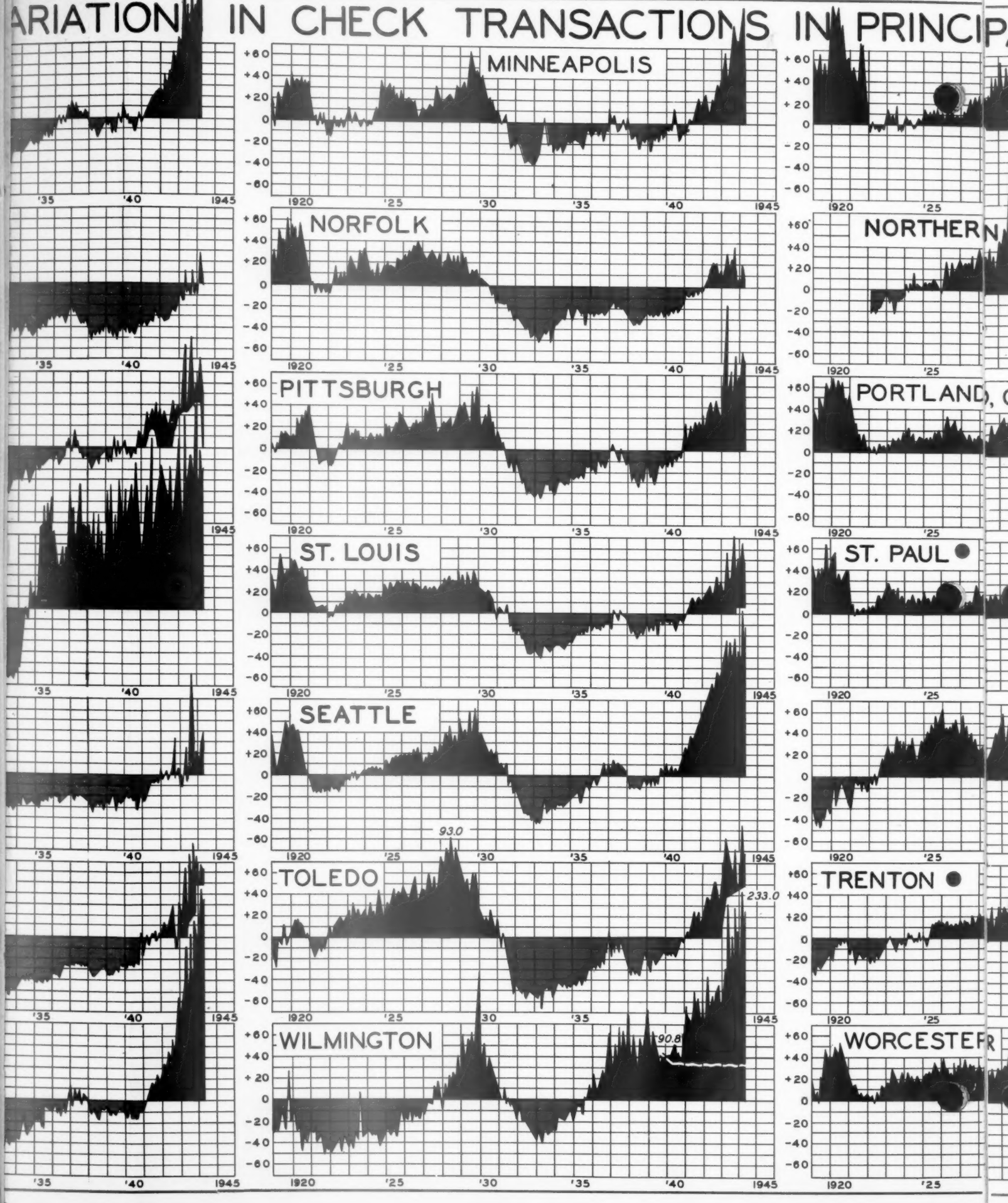

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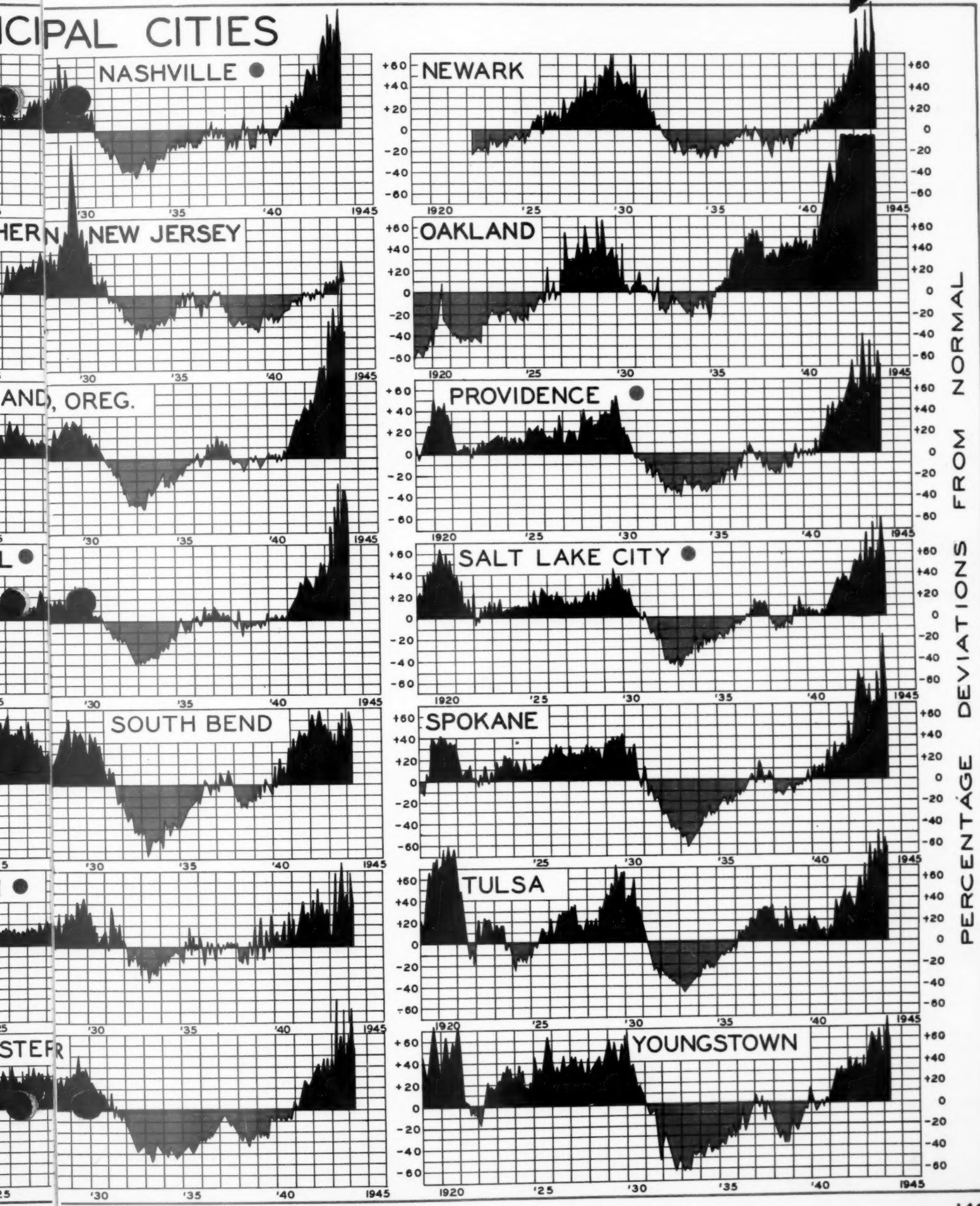
ICIPAL CITIES



REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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INDEX 1940 = 100

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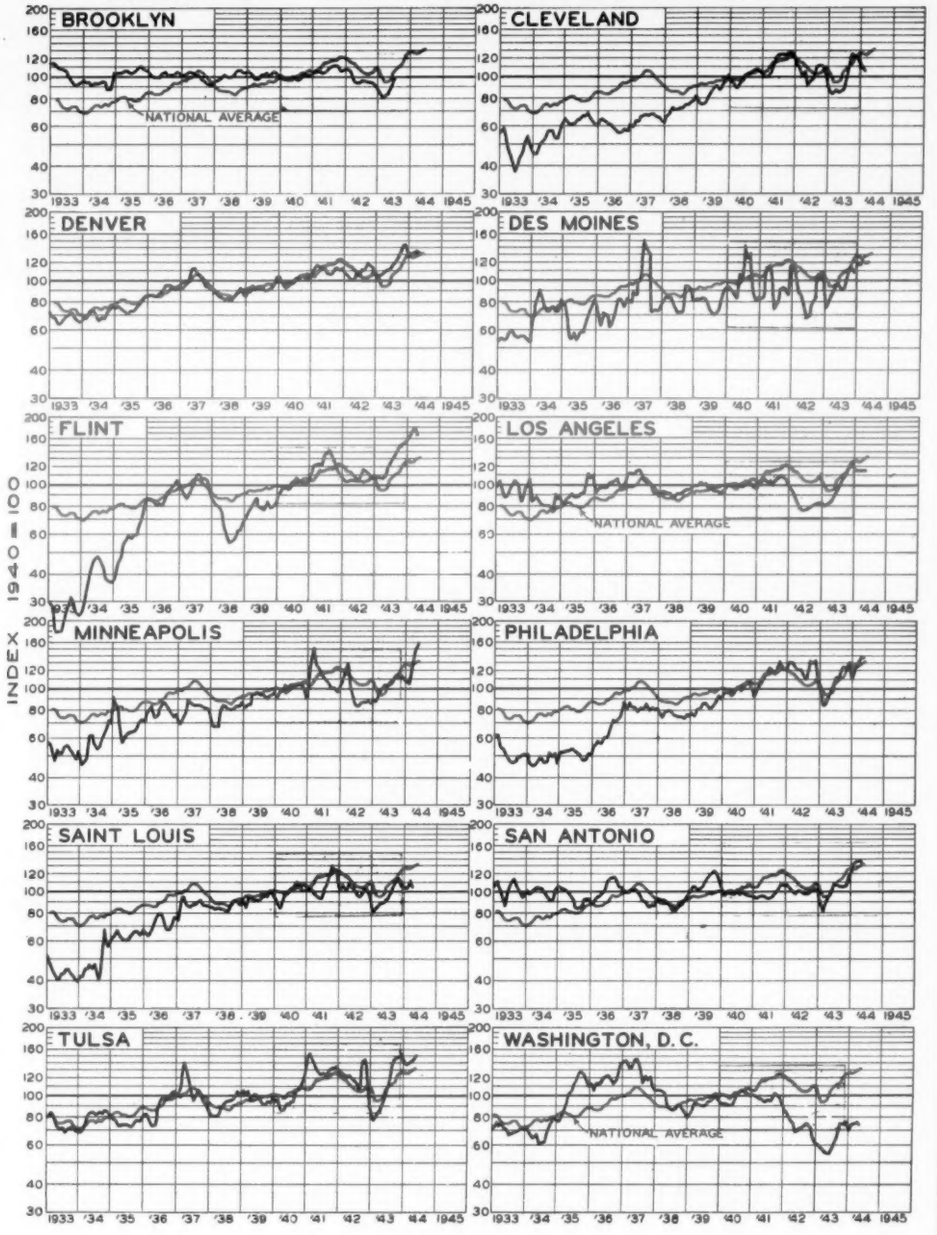
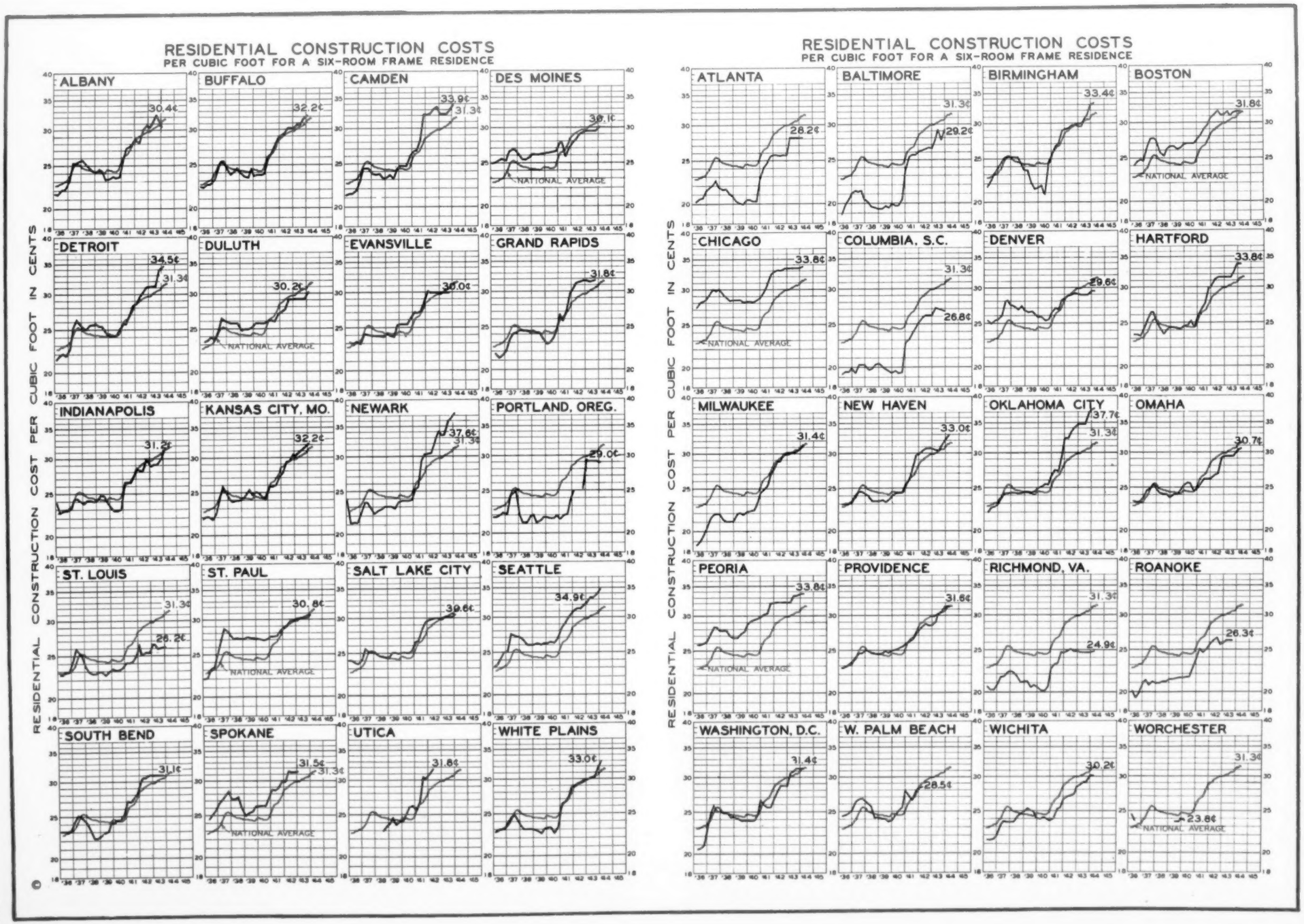
INDEX 1940 = 100




RESIDENTIAL CONSTRUCTION COSTS
PER CUBIC FOOT FOR A SIX-ROOM FRAME RESIDENCE
RESIDENTIAL CONSTRUCTION COST PER CUBIC FOOT IN CENTS
ALBANY
30.4¢
BUFFALO
32.2¢
CAMDEN
33.9¢
31.3¢
DES MOINES
30.1¢
NATIONAL AVERAGE
DETROIT
34.5¢
31.3¢
DULUTH
30.2¢
NATIONAL AVERAGE
EVANSVILLE
30.0¢
GRAND RAPIDS
31.8¢
INDIANAPOLIS
31.2¢
KANSAS CITY, MO.
32.2¢
NEWARK
37.8¢
31.3¢
PORTLAND, OREG.
29.0¢
ST. LOUIS
31.3¢
28.2¢
ST. PAUL
30.8¢
NATIONAL AVERAGE
SALT LAKE CITY
39.6¢
SEATTLE
34.9¢
SOUTH BEND
31.1¢
SPOKANE
31.5¢
31.3¢
NATIONAL AVERAGE
UTICA
31.8¢
WHITE PLAINS
33.0¢
RESIDENTIAL CONSTRUCTION COSTS
PER CUBIC FOOT FOR A SIX-ROOM FRAME RESIDENCE
RESIDENTIAL CONSTRUCTION COST PER CUBIC FOOT IN CENTS
ATLANTA
28.2¢
BALTIMORE
31.3¢
29.2¢
BIRMINGHAM
33.4¢
BOSTON
31.8¢
NATIONAL AVERAGE
CHICAGO
33.8¢
NATIONAL AVERAGE
COLUMBIA, S.C.
31.3¢
26.8¢
DENVER
29.6¢
HARTFORD
33.8¢
MILWAUKEE
31.4¢
NEW HAVEN
33.0¢
OKLAHOMA CITY
37.7¢
31.3¢
OMAHA
30.7¢
PEORIA
33.8¢
NATIONAL AVERAGE
PROVIDENCE
31.8¢
RICHMOND, VA.
31.3¢
24.9¢
ROANOKE
26.3¢
WASHINGTON, D.C.
31.4¢
W. PALM BEACH
28.5¢
WICHITA
30.2¢
WORCHESTER
31.3¢
23.8¢
NATIONAL AVERAGE